

Tennessee Department of Safety

Presentation to the Fiscal Review Committee

on July 26, 2006

Repeat Audit Findings and

Corrective Actions Taken

Audit period of June 1, 2003

Through June 30, 2005

**Gerald F. Nicely
Commissioner**

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Tennessee Department of Safety
Summary of Audit Responses to the Fiscal Review Committee
Audit Period of June 1, 2003 to June 30, 2005
Audit dated February 28, 2006

Before we get into the current audit, I would like to review the previous audit report for comparison purposes. A Financial and Compliance Audit, dated October 21, 2003, covering the period of July 1, 2000, through June 16, 2003, included thirteen (13) audit findings. Eight of these audit findings have been cleared by the Comptroller's Office and five (5) remain as repeat findings in the audit dated February 28, 2006, which covered the period of June 1, 2003, through June 30, 2005. Progress has been made in the audit just released, as reflected by the reduction to eight (8) findings from thirteen (13) findings in the previous audit. Three (3) of the eight (8) findings in the audit just released are new findings, and five (5) are repeat findings. One of the repeat findings, Finding #1, is on the Title and Registration division, which transferred to the Department of Revenue on July 1, 2006. We are including in the response the actions we took while the T&R division was still in Safety. The Department of Revenue will be represented at the meeting and they can discuss this finding from their perspective.

Following is an abbreviated version of the actions taken by the department in order to correct these repeat audit findings, which are numbered 1, 3, 5, 7, and 8 in the audit report.

Finding #1...department did not adequately mitigate the risks of fraud, waste, and abuse...relative to motor vehicle registration revenue collections.

Actions Taken...In August 2004 the Department of Safety Title & Registration division and the F&A Office of Information Resources assumed management of the TRUST project, upon expiration of the contract with Covansys and moved forward with a phased design model which will enable T&R to monitor controls and minimize risk factors inherent with the manufacture, shipping, and recording of receipts. This will include the

tracking of perpetual inventory balances. The cash and tracking segments of the system are included in Phase 5, which is currently being developed and scheduled for implementation in January 2007. The controls to detect fraud and abuse are the electronic control and management of inventory. These controls are included in Phase 6, which is scheduled for implementation in January 2008. The overall TRUST project is currently progressing on target. In summary, it is our belief that the successful completion of the new TRUST system will be the ultimate solution to mitigate the risks of fraud, waste, and abuse relative to motor vehicle revenue collections. On pages 5 through 17 are the details of the finding and the actions we have taken up to June 30, 2006, including the Risk Assessment, Overview of Phases 5 and 6, and Workflow diagrams.

Finding #3...risks associated with cash receipting procedures and controls at driver license stations...and several cash receipting offices did not develop written cash receiving procedures.

Actions Taken...The Drivers License Division has modified its Funds Management policy and procedures that are used in all driver license stations to make it more comprehensive with specific outlines for collecting, handling, securing, depositing, reconciling, and monitoring funds received at the stations...effective April 1, 2006. The THP and Financial Reinstatement Offices also have documented written procedures for the collection, storage and deposit of funds in place on April 1, 2006. The Internal Audit division is scheduled to conduct twenty (20) audits in the present fiscal, at the rate of five per quarter. This schedule will allow us to perform audits on all our driver license stations within a two-year period, which coincides with the biannual audit period of the Comptroller's Office. Based on the procedures in place and the scheduled audits, we feel that that we should be able to fully implement the recommendations of this finding. The detailed findings and actions taken can be found on pages 18 and 19.

Finding #5...the department has not properly assessed the risks of unauthorized access and has not mitigated those risks by monitoring employees' access to the Driver License System and Vehicle Inquiry System.

Actions Taken...a Security and RACF administrator has been assigned the responsibility to monitor for security compliance and to ensure that all employees with access to the systems have the proper credentials on file. Procedures are being developed to ensure that outside agencies are collecting the appropriate security access forms, including random sampling to ensure that proper access is on file. Agreements. (Memorandum of Understanding) are currently in place with each outside agency which outlines the responsibility of such agency to maintain access security as defined in the MOU. The detailed findings and actions taken can be found on pages 20 and 21.

Finding #7...risks associated with inadequate controls and lack of accountability over equipment have not been adequately addressed.

Actions Taken...The inventory process was started 2 months early, with Internal Audit sending a list of total inventory items to each section head. If the equipment not located, the proper form or affidavit is filed and the POST system updated...this is being done on a continuing basis. Internal Audit is notifying Commissioner's Office of any unresolved discrepancies. Employees will be held accountable for lost or stolen equipment in accordance with our General Order. The Director of Support Services is responsible for the design and implementation of internal controls over equipment. Support Services staff are closely checking equipment when changes are made from old vehicles to new vehicles. In addition, the Director has identified three personnel in his division to make random checks on equipment and report exceptions to the Director. The detailed findings and actions taken can be found on pages 22 and 23.

Finding #8...lack of attention to Title IX compliance requirements raises concerns that inadequate consideration is given to preventing discrimination on the basis of gender.

Actions Taken...The department has assigned Sgt. Leonard Murray the responsibility of ensuring that the Department's DARE unit is in compliance with the requirements of Title IX of the Education Amendments of 1972. The Title IX Compliance Report for Fiscal Year 2005-06 was filed with the Department of State Audit before the June 30, 2006 deadline. We feel that procedures are presently in place to fully implement the recommendations of this finding. The detailed findings and actions taken can be found on page 24.

Following on pages 5 through 24 are the findings and recommendations of the Comptroller's Office as published in the Audit Report dated February 28, 2006, along with the *Actions Taken* by the department. This summary of actions taken has been transmitted to the Comptroller's Office and they have indicated that..."Your report has been reviewed and no further action is required at this time. A verification of the actions taken will be conducted during the field work of the next audit of your agency." The repeat findings are numbered accordingly as they appeared in the formal audit report as Numbers 1, 3, 5, 7, and 8. It is our intention to fully implement all of the applicable recommendations of this recent audit by the Comptroller's Office.

Summary of Audit Findings and Actions Taken

Finding

1. **Management of the department still did not adequately mitigate the risks of fraud, waste, and abuse relative to motor vehicle registration revenue collections originally identified by the auditors 16 years ago**

Recommendation

The Commissioner should carefully consider the governance implications relative to the long history of this finding, the substance and nature of prior management responses, including failure of the department to take the steps management said would take place in prior responses.

The Commissioner and top management should develop a plan to adequately address the risks first noted in our audit 16 years ago. As a part of the plan, the Commissioner and top management should ensure that staff responsible for these motor vehicle operations engages in an adequate assessment of other risks of fraud, waste, or abuse in this area. That assessment should be written and fully documented. It should be reviewed by top management and should be used to design, implement, and monitor the controls to mitigate the risks identified. The Commissioner and the Director of Motor Vehicle Title and Registration should continue to pursue the new system which will allow the department to reconcile the distribution of motor vehicle plates and decals in each county with revenue collected. The Commissioner should consider redesigning the shipping tickets to require county clerks to report any discrepancies to the department within a certain number of days and require county clerks to sign this form upon delivery. The Commissioner should ensure that the warehouse receives shipping tickets for all decal shipments.

Management should continue to ensure that risks such as these noted in this finding are adequately identified and assessed in their documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls over motor vehicle operations to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and for taking prompt action should exceptions occur.

Actions Taken

The current computer system in use for the last sixteen years to provide title and registration services does not include cash or inventory capabilities. Nor does it account for decentralized points of sale in the ninety-five counties. Adding to the deficiencies of the current system stated above is that the point of manufacture is performed by TRICOR, not Title and Registration. TRICOR also does the shipping and distribution of the plate and decal inventory. The county clerks, who order stock as needed, do so by contacting the Title and Registration Warehouse, which is under the direction of the Support Services Division.

Therefore, current management has determined that the solution must include the Title and Registration and Support Services Divisions of the Department of Safety, and TRICOR to address the limitations of the current computer system. Previous efforts have failed or fallen short of satisfying this audit finding due either to the massive workload volume of manual reconciliation required in comparison to staff available to complete the tasks, or more importantly failed attempts to design and implement computerized systems capable of electronically handling the process. To complicate the objective even further, county clerks, independently contract with various software vendors for the processing of registration information and then batch update to the state mainframe. Current shipping tickets utilized do require signatures and reporting by the county clerks of items not received in the shipment. This process will be enhanced with the implementation of the system and the utilization of electronic systems to record the receipts and updates to the mainframe.

In August 2004 the Department of Safety Title and Registration Division, and the Office of Information Resource assumed management of the TRUST PROJECT upon the expiration of a contract with Covansys, and moved forward with a phased design model, which is currently being developed and implemented. Management of Title and Registration feels that it has taken a major step in identifying areas of fraud, waste, and abuse in the design of the Trust System. The implementation of the phases as scheduled in the project will enable Title and Registration to monitor controls, minimize and mitigate risk factors inherent with the manufacture shipping and recording of receipts. This will include tracking of perpetual inventory balances and intermediary transactions. The cash and tracking segments of the system are in Phase 5 of the project, which is currently in the development phase and scheduled for completion in 2007. Effective January 2007 the order, and receipt of embossed plates, decals, etc which are controlled stock items plans are to create a front-end on the Master Inventory Database which will be designed to record manually the receipt of the items and they will be recorded for each step of the process. The order will then be placed into the inventory and tracked by the POS System. Workflow and Java changes in Phase 6 for the "Manufacture Order Module" will automate the Inventory portion at the POS; and will result in full automation of inventory control. Phase 6 and is scheduled for completion in January 2008.

The true resolution to this finding and adequate measures to prevent fraud and abuse is electronic control and management of inventory, with deployment in January 2008 Phase 6 as discussed above. The project is currently progressing on target. TRICOR, who is contracted to manufacture and distribute plate and decal inventory, has already converted to the digitized license plate production system, which includes inventory capabilities, and has extended their partnership with the Title and Registration Division to address distribution and electronic delivery confirmations. Further cash and inventory development plans include the use of bar coding and scanning technology, as well as electronic signature capabilities for receipts. The new 2006 license plate design is evidence of this development and has a bar code printed on each new license plate. It will take at least Ten (10) years to convert all plate types to this format due to the vastness of the license plate system. Renewal decals issued in 2007 will utilize this technology and will contain bar codes to facilitate inventory and reporting reconciliation requirements, which will aid management in ongoing risk assessment and mitigation. In addition to technological developments currently underway the contract with the county clerks is being amended to require them to notify the Title and Registration Division of

discrepancies identified in plate and decal deliveries, as this is a major part of the reconciliation process going forward.

In summary, the department will continue to work with OIR to develop the new TRUST System, which we believe will be the ultimate solution for properly reconciling inventory as discussed above. Personnel from all major areas in Title and Registration are participating in continuous testing and implementation of the new system as Phases are developed and deployed. As shown below are major implementation rollouts for Phases 5 and 6 in addition to an Inventory Architecture Chart that encompasses major building blocks toward the completed product.

Risk Assessment:

1. Management of Title and Registration supports former management evaluations that implementation of the Trust System should be the ultimate milestone in addressing potential fraud and abuse in major areas of the Audit finding especially in consideration of human resource limitations and shortages to manually satisfy this finding. A detailed review of the operational constraints of the license plate manufacturing, storage, distribution, sale and return of unused stock is complicated by a shortage of human resources and cooperation of point of sale locations operated by the state's 95 county clerks
2. Efforts in the past to reconcile inventories have been continually beset by failed system development attempts distributed areas of control and a lack of cooperation or commitment to resolve. Since a major step toward mitigating the associated risks going forward as well as the recording reconciliation of revenue collections lies in the successful completion of the project, resources have been focused toward this ultimate goal and timeline.
3. Previous management sought funding to resolve the problem through technology and was successful in 1999. However, the vendor contracted to deliver the system left in 2004 without successfully completing the project. During this timeframe new management was assigned to the Division upon the retirement of the previous administrator. New management has made the development of the project a priority.
4. An assessment by the newly assigned management staff concluded that the deployment of the computerized technology to include all points involved in the flow of plate and decal inventory was the ultimate solution to resolve the weakness in the chain of distribution beginning with the point of manufacture and ending with the point of sale, including obsolete inventory being returned for destruction.
5. The troubled history of the project's development approach has been reviewed and reorganized into a phased approach by the current management with each phase forming the necessary platform for future phases. The necessary technology and deployments required to address this finding have been considered at each step of the design model, with the finalization of the project being deployed in phases 5 and 6. Phase 6 is scheduled for full deployment in January 2008
6. Phases 5 and 6 scheduled for completion in 2007 and 2008 will encompass several areas addressed in areas of the finding. Thorough workflow analysis

- including TRICOR and County Clerk operations will be conducted and electronic solutions designed to address shortfalls in the current system.
7. Management staff, including audit, and compliance staff, meet weekly in the formation of business rules and the design of electronic report formats needed to resolve this finding. Major resources of OIR have also been dedicated to the project, meeting weekly and reporting to senior management of Title and Registration on development efforts.
 8. Another critical element of the project which has been undertaken is the documentation of major workflow within various areas of Title and Registration to review those functions that could be streamlined as well as serve for future reviews and adjustments where necessary. This action will enhance risk assessments efforts at a detail level going forward.
 9. Division documents and license plates are being redesigned to include bar codes that will be used to feed into the automated system being developed at each step of the process. In cooperation with the efforts to resolve this finding TRICOR has converted to a digitized license plate production system with newly manufactured license plates in calendar year 2006. This will enable electronic delivery and receipt confirmations as well as bar-coding and scanning technology usage of which will also aid in detection of errors and reconciliations of perpetual inventories to quarterly physical inventories. The reconciliation of inventories will be a major factor in the minimization of associated risks or irregularities. Renewal decals produced in calendar year 2007 will likewise include barcodes that will be used as described above for license plates. Meetings have been held with the decal vendor to discuss this need and the vendor is reviewing purchasing options and cost considerations.
 10. All necessary resources are involved in the research and considerations required to design and develop the automated system including inventory and point of sale systems. All parties are working collaboratively to resolve necessary issues. As discussed above TRICOR has already installed the digitized plate system that produces barcodes on license plates and included the functionalities needed to support this effort. County Clerks and the Title and Registration warehouse are migrating to a PC based environment that will be equipped with scanning devices to read inventory, and receipt data. POS software will be enabled to deduct inventory for existing stock to produce and end-to-end reconciliation of inventories from the point of manufacture, distribution, and associated revenues.
 11. Until Phase 6 can be finalized in January 2008 a front-end will be placed in the Inventory Manufacture Data Base to record receipts. The POS Inventory System will then be able to track this information. The shipping ticket will be redesigned to require county clerks to report discrepancies within 180 days from the time of delivery.
 12. T&R Warehouse staff will monitor and report discrepancies as noted on the shipping tickets by county clerks and report the same to management until the complete automated system to record shipments and receipts can be implemented as part of the development effort discussed in item 11 above.
 13. Major efforts have taken place as a part of the Trust Project to identify and document workflow in the Title & Registration Division in order to evaluate necessary steps and to assess and mitigate associated risks.
 14. As sought by Senior Management assigned to the Title & Registration Division in 2004, the appropriation bill included compliance staff to be utilized to monitor both internal division irregularities as well as those of contracted services such as TRICOR and the county clerks who serve as the point of sale for the division.

The first compliance staff member was hired in 2006 with a full staff of 5 anticipated before year's end. The delay in staffing was a result of system development delays. The compliance staff will be utilized to design and implement internal controls over Title and Registration and Motor Carrier operations. This will enable senior management to provide continued monitoring and mitigation of potential risks going forward, both during and after full implementation of the POS system, and other areas of operations both in a computerized environment and procedure compliance. The compliance staff will facilitate prompt reporting to senior management of exceptions and necessary actions to be taken.

15. As evidence of management's acknowledgement of, and commitment to resolve this long standing audit finding it is believed that the uninterrupted efforts to put into place an electronic system that will resolve the finding which was previously impeded by a vendor's failure to deliver a product and a staffing reduction of nearly a quarter of the division's staff in 2003 due to budget curtailments, coupled with managements efforts to continuously pursue legislative approval for funding to build and deploy the system, as well as the staff to monitor compliance illustrates a focus on resolving this very complex finding and intent to minimize of risks wherever possible, all the while exploring manual solutions to the problem with inadequate staff.
16. Continued endeavors to automate the process, after the failure of a vendor, has been redesigned, and is being managed by the state staff. The project is currently progressing on schedule and within budget. The Point of Sale and Inventory portions of the deployment effort are set to begin in 2007 and to carry throughout the year. Phase 6 deployment is scheduled for January 2008, which should be the final step to automate the process. These are major steps and milestones in management's efforts to minimize the potential for fraud and to mitigate and minimize the associated risks.
17. As previously addressed TRICOR, who is the initial production point has already converted to the digitized license plate production system and a collaborative effort is underway to maximize the system's capabilities. Based upon the volume and life cycle of license plates in the state of Tennessee it is projected that the conversion of all plate and decal types to include elements needed for electronic processing will take up to (10) ten years to include the full cycle of plates in circulation at the present time. Bar-coding and scanning technology additions included in the point of sale portions of the Trust project in phases 5 and 6 will aid in the minimization of errors and reduction of associated risks, fraud detection, and recompilations of perpetual inventories. The reconciliation of inventories will be a major factor in minimizing risks and the mitigation thereof.
18. Management feels that it has taken major steps toward addressing the risks in this finding as part of the phased rollout that is scheduled, and will continue to monitor ongoing compliance and take actions as necessary during the completion process, and thereafter.

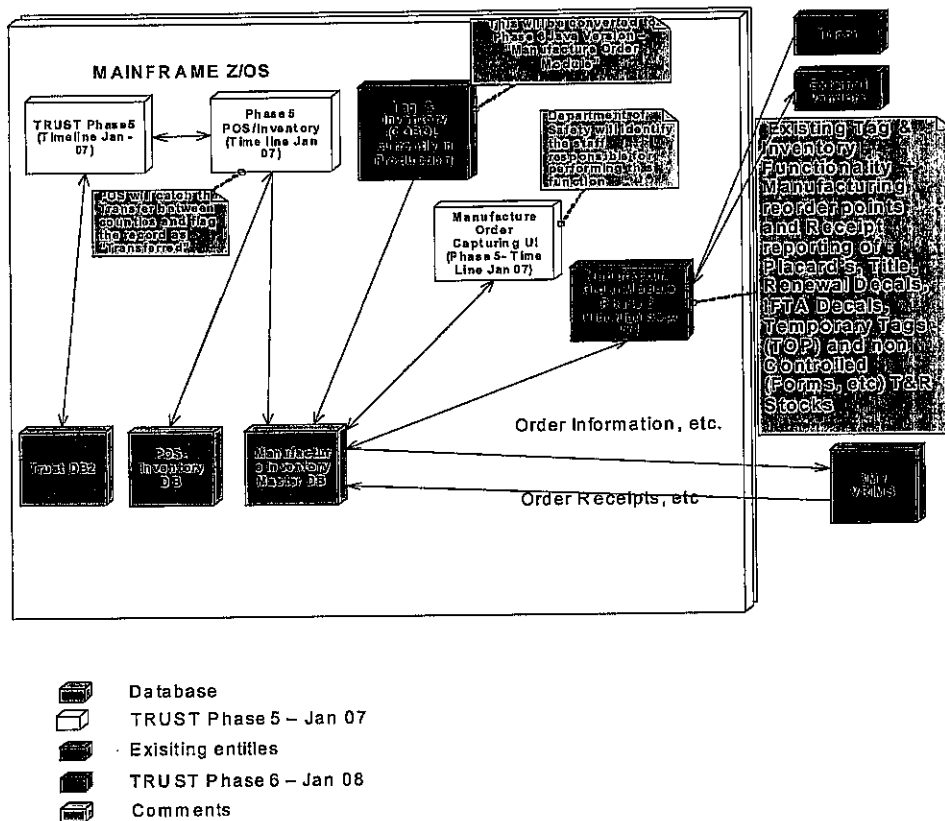
Attachments:

- (A) Inventory Architecture Page 7**
- (B) Phases 5 and 6 Overview Page 8**
- (C) Workflow Diagrams Pages 9 Through 14**

Attachment A Inventory Architecture

The Inventory Architecture Chart Below reflects the Major timelines of Phase 5 and Phase 6 of the Trust System and POS Implementation

Inventory Architecture



Attachment B Phases 5 and 6 Overview

In the data discussed below for Phases 5 and 6 are major timelines for the implementation process.

Phase 5

- ☐ RFP POS – Inventory – “Business Requirements”
- ☐ Timeline - Jan 07 Implementation
- ☐

- ☐ Reporting the Order Receipt of Digitized plates:
 - ☐ As soon as 3m can provide order receipt data, two weeks of Crystal Reports Analysis/Coding to create Audit report of Order Receipt of Digitized Plates.
 - ☐ Timeline - Estimated April 06

- ☐ Reporting the Order Receipt of Embossed Plates, Decals, Placards, (All Controlled and Non-Controlled Stocks) etc:
 - ☐ Until this functionality can be written in JAVA, a front-end could be placed on the Manufacture Inventory Master database and these items can be manually receipted by each person in the process, the order will then be placed in inventory and tracked by the POS system.
 - ☐ Timeline – Jan 07 Implementation
 - ☐

Phase 6

- ☐ “Manufacture Order Module” has tight coupling/integration with the following:
 - ☐ TRUST Phase 5 – Java
 - ☐ TRUST Phase 5 – Workflow
 - ☐ 3m VRIMS Manufacturing Engineering

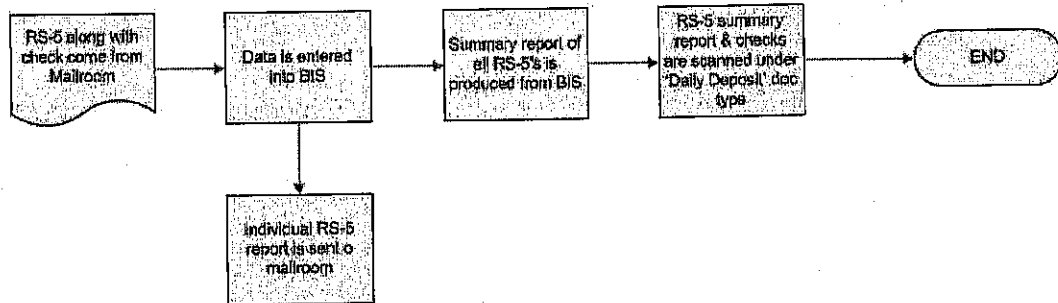
- ☐ Tag and Inventory will be converted into a Java Version “Manufacture Order Module”
- ☐ Estimated Timeline - Jan 08 Implementation

- ☐ Reporting the Order Receipt of Embossed Plates, Decals, Placards, (All Controlled and Non-Controlled Stock), etc.
 - ☐ This functionality will be located in the Java Version “Manufacture Order Module”
 - ☐ Estimated Timeline – Jan 08 Implementation

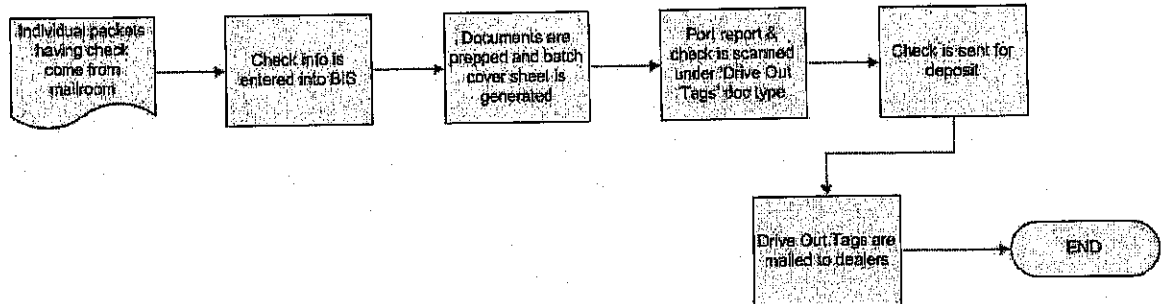
Attachment C Workflow Diagrams Pages 9 Through 14

Audit Dept. Workflow

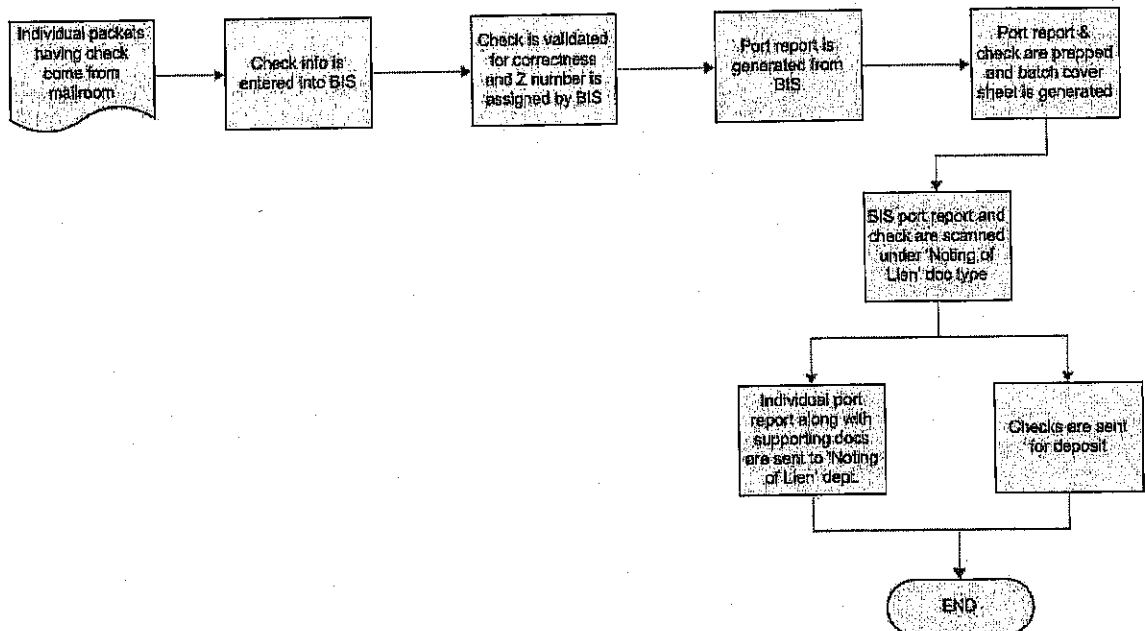
Yellow packets that come from counties



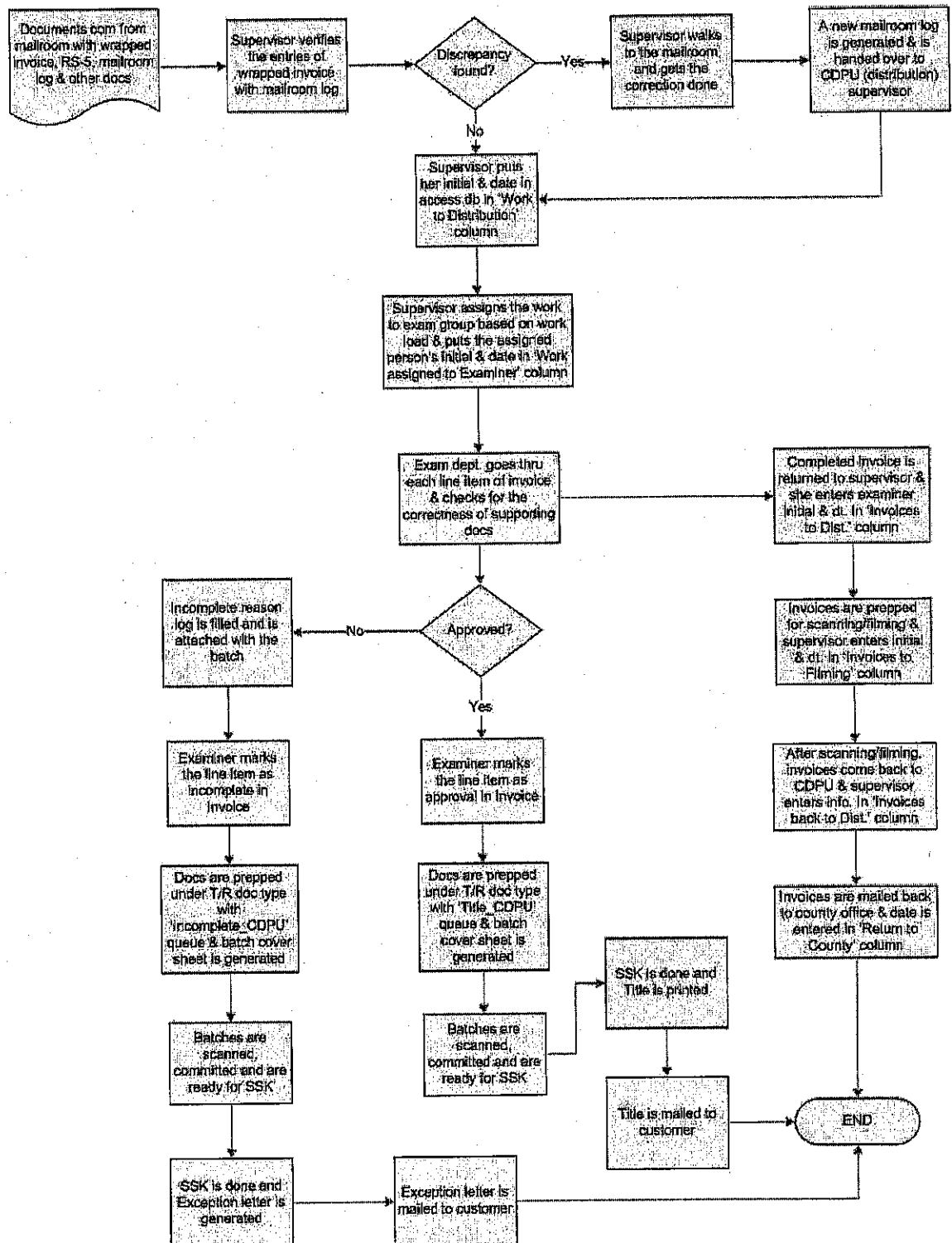
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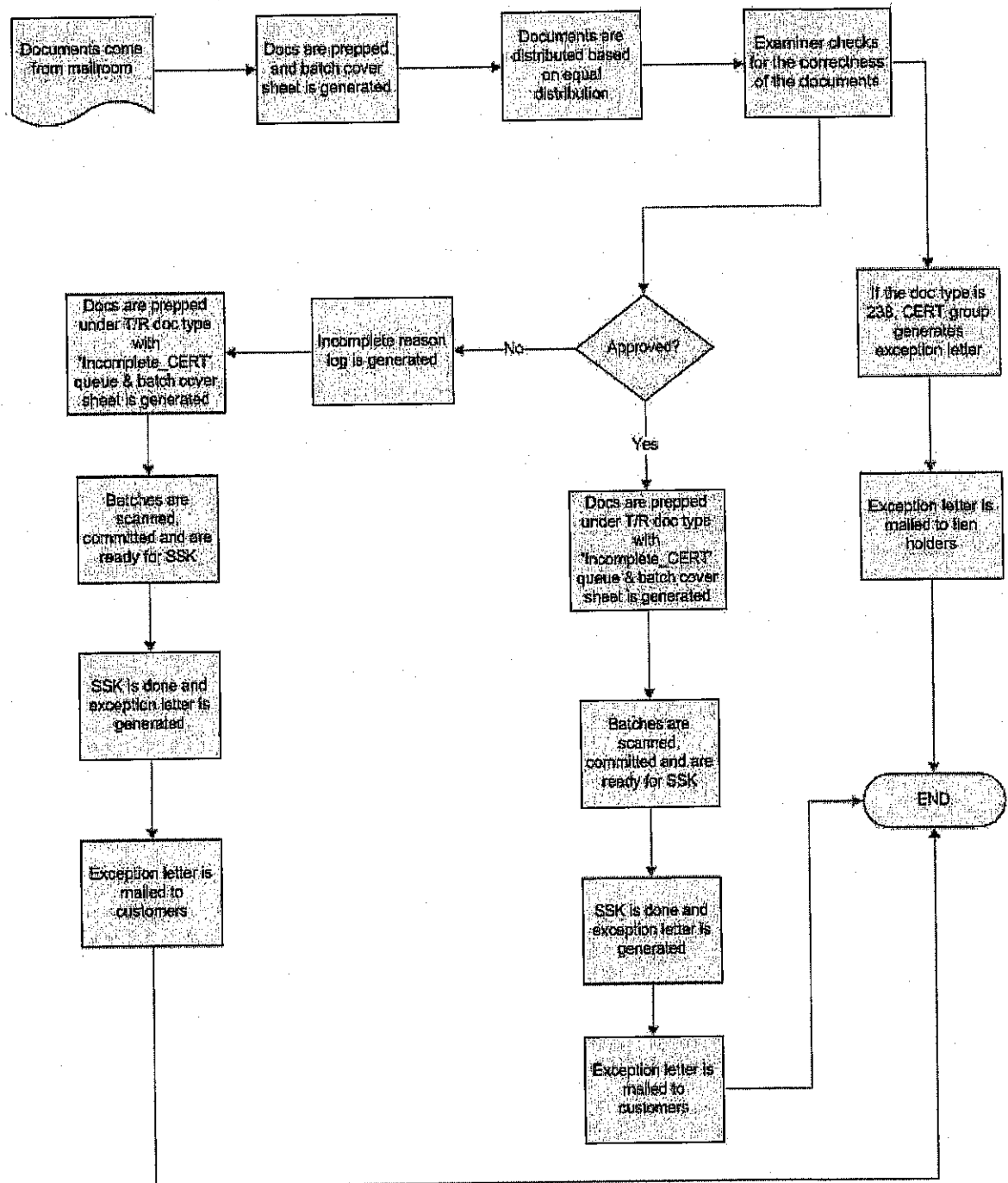
Individual packets of Noting of Liens & Duplicates



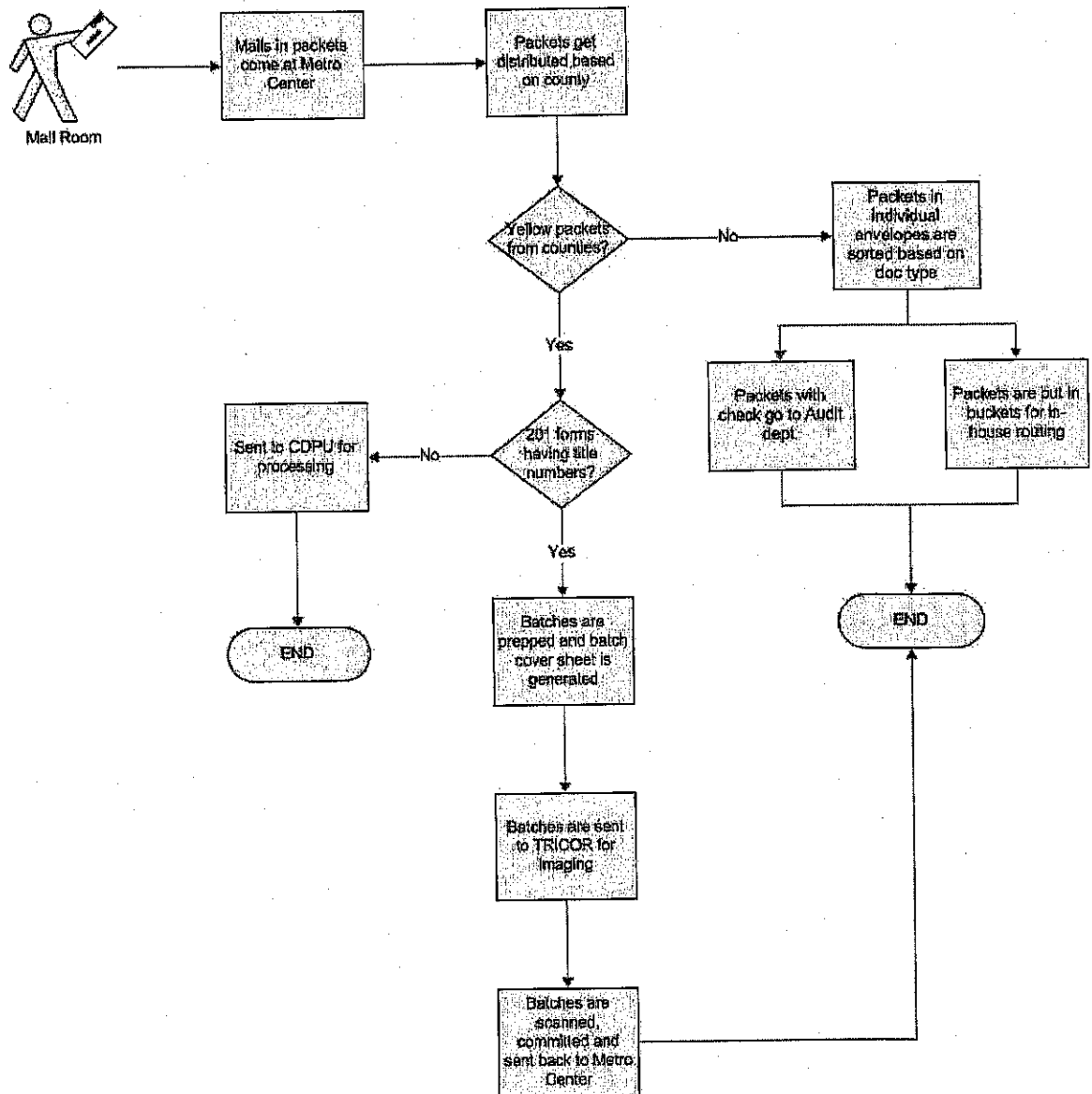
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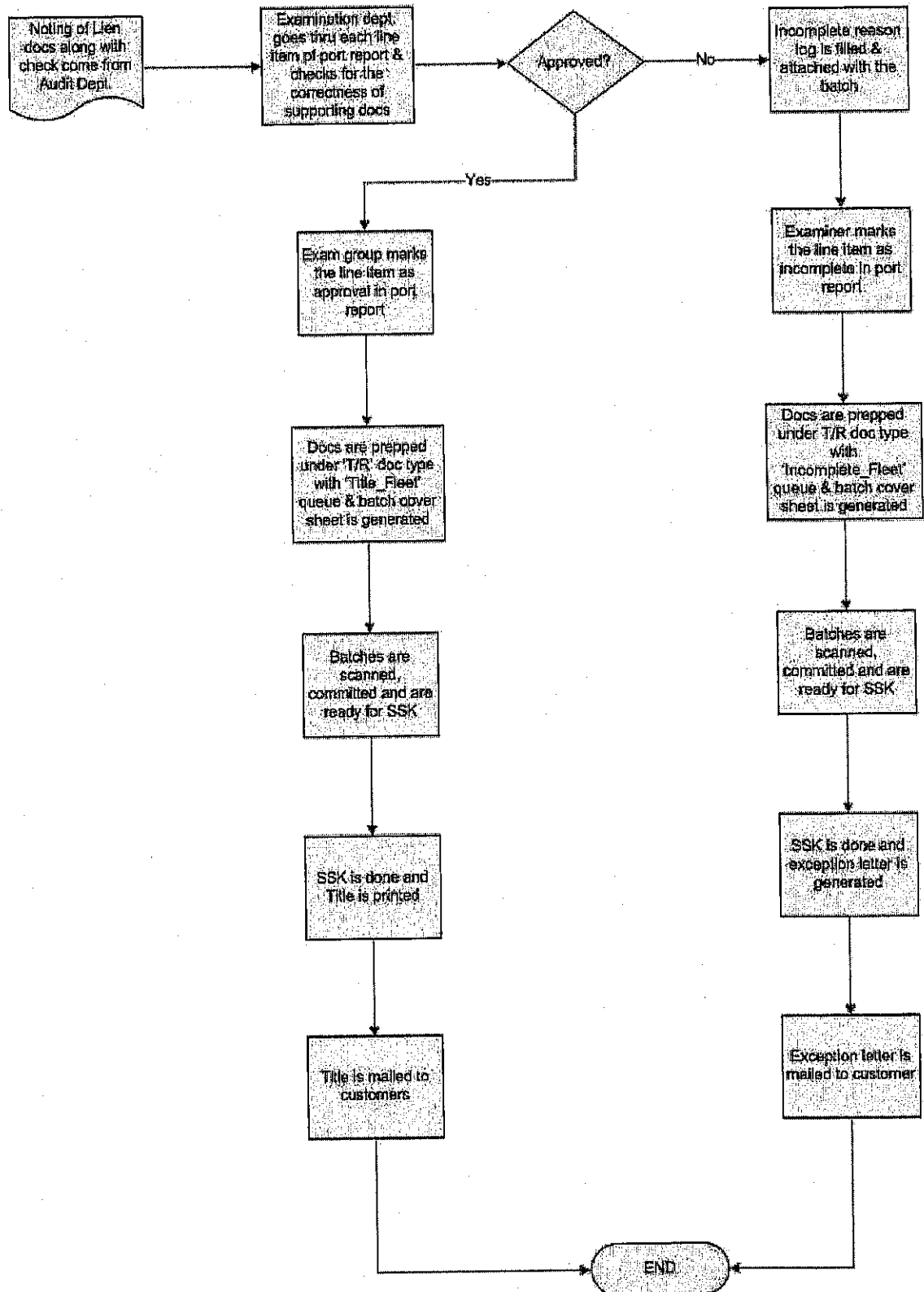
CERT Dept. Workflow



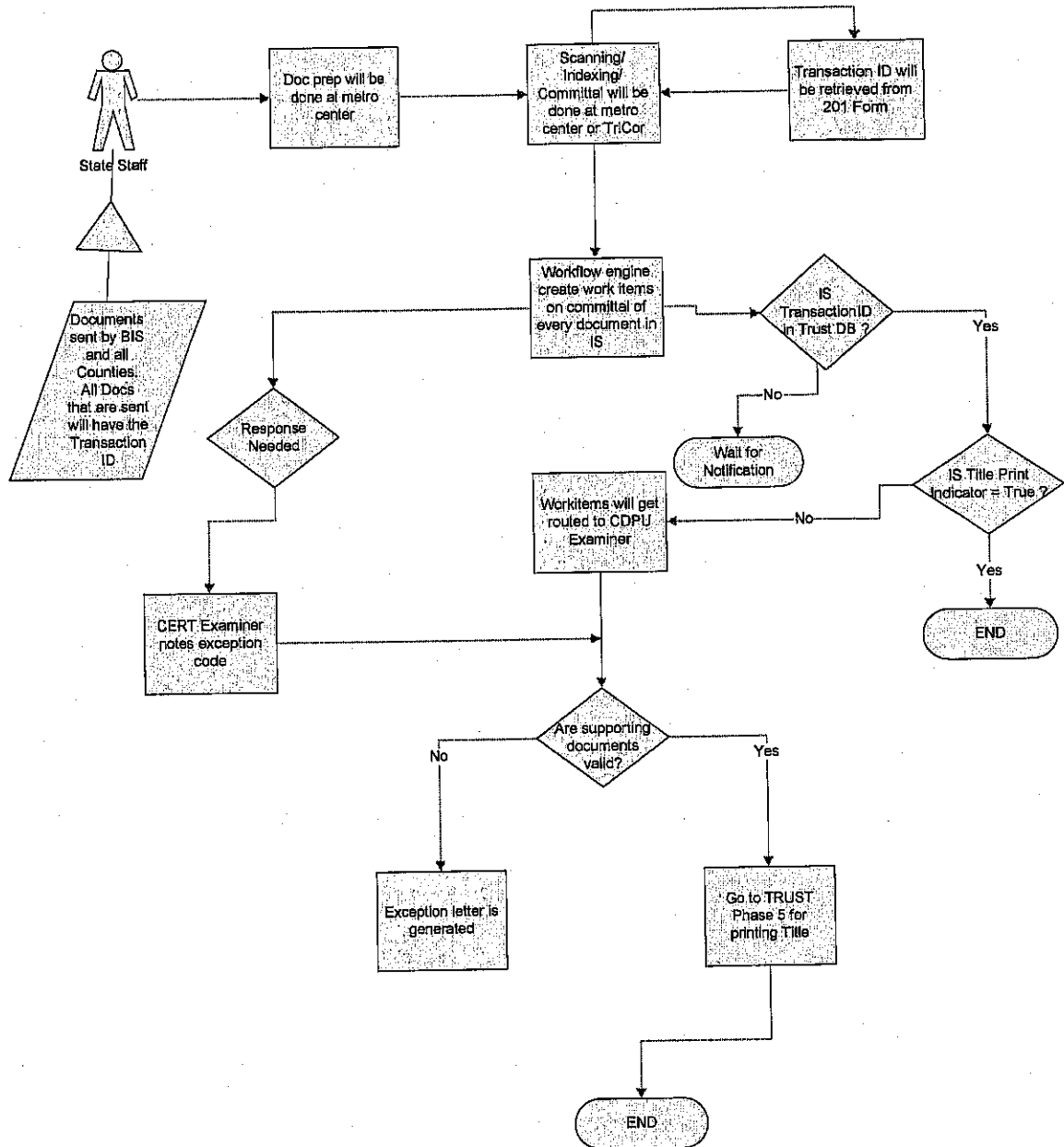
Mailroom Workflow



Noting of Lien and Fleet Dept. Workflow



All Counties Flow



Finding

3. **The risks associated with cash receipting procedures and controls at the driver's license stations have not been adequately addressed, controls over driver's license renewals need improvement, and several cash receipting offices did not develop required written cash receiving procedures**

Recommendation

Management should ensure that risks such as these noted in this finding are adequately identified and assessed in their documented risk assessment activities. Management should carefully consider whether there are more risks than those identified by the external auditors. Management should identify specific staff to be responsible for the design and implementation of internal controls over cash receipting to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

The Commissioner should ensure the Director of Internal Audit performs audits of all the driver's license stations on a routine basis. These audits should include risk assessments of the areas associated with cash and cash receipting procedures. The Commissioner should ensure adequate management oversight is given to the operations of the driver's license stations. To prevent fraud, waste, or abuse of cash, the Branch Supervisors should evaluate and monitor the cash receipt and deposit practices in their regions to ensure controls are in place. The Commissioner should ensure that the Director of Driver's License Issuance develops uniform policies and procedures and eliminates the inconsistencies in the areas noted in this finding. The Commissioner should ensure that each office that receives cash develops written procedures required by General Order 202, and that all the stations have the appropriate means to secure cash which is not deposited. The Commissioner should also ensure that cash collected is reconciled timely with system reports.

Actions Taken

The Driver License Central Office is responsible for ensuring that the risks identified in the finding as well as any other risks are adequately identified, assessed, and documented. This office is also responsible for the design and implementation of internal controls over cash receipting to prevent and detect exceptions in a timely manner.

Central Office updated and modified the Funds Management policy and procedures that are used daily in all driver license stations. The modified policy is more comprehensive and specifically outlines the procedures for collecting, handling, securing, depositing, reconciling, and monitoring funds received at the stations. This modified policy along with the procedures became effective April 1, 2006 and are consistent with the requirements of the cashiering system that has been implemented in all of the driver license stations. Changes in this funds management policy and daily operating procedures were communicated to personnel at all of the driver license offices across the state.

The front line supervisors at the individual driver license stations are responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur. District supervisors will evaluate and monitor the cash receipt and deposit practices in their districts to ensure established controls are in place and are being followed.

Driver License management has reviewed with all supervisory personnel the importance of preparing reconciliation reports in a timely manner. The implementation of the new cashiering systems has automated some of the current manual reconciliation processes and will continue to assist our supervisors in meeting the time line requirements in the funds management policy.

Each branch supervisor has submitted a current risk assessment questionnaire pertaining to the receipting of cash and security of funds. Additionally, the department's Driver's License Division will develop a Quality Assurance Monitoring system for Drivers License Stations. A team of State Office Division/Internal Audit staff will conduct Quality Assurance Reviews of at least 20 stations per year and any that are found to have a risk assessment problem. The audits will include risk assessments of the procedures used for the cash receipting and funds security at the individual station.

The Tennessee Highway Patrol (THP) has documented detailed plans effective March 28, 2006 for each of the eight THP districts which comply with General Order 202 concerning the collection and accounting of funds. The Memphis and Foster Avenue Reinstatement Offices have documented the procedures used in the collection, storage, and depositing of funds. These procedures have been updated and are currently correct. Periodic reviews will be conducted to assure the procedures are kept current and any changes in the process will be listed in the procedures.

Finding

5. **The Department of Safety has not properly assessed the risks of unauthorized access and has not mitigated those risks by monitoring employees' access to the Driver License System and the Tag and Vehicle Inquiry System**

Recommendation

Top management should take steps to reasonably ensure that department staff over the information technology operations are knowledgeable about the significant risks to the department's information technology operations and know how to design and implement effective controls. Top management should also document its risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt actions should exceptions occur.

The Director of Information Systems should ensure that all persons with access to the systems have a RACF ID Request form and that the form is properly completed. In addition, the director should seriously consider whether the department needs to continue the practice of allowing other agencies to grant system access. If it is decided that the practice should continue, the director should develop formal monitoring procedures to ensure that those outside agencies granting access to the Department of Safety's system are collecting the appropriate security access forms or the Department of Safety should obtain and maintain the required access forms. The Department of Safety should also ensure each outside agency with ability to grant access to the system signs a new agreement each July. The Director should revoke the access to agencies that do not have a signed agreement immediately or obtain the signed agreement.

Actions Taken

The appropriate Information System staff has been advised and is knowledgeable about the significant risks to the department's information technology operations and will implement internal controls in accordance with state policy. Risk assessment in the area of unauthorized access has been performed and documented. The Director of Information Systems is responsible for the ongoing monitoring for compliance with all requirements and for taking prompt actions should exceptions occur.

A position of Security & RACF Administrator has been established. This position has the sole responsibility to monitor for security compliance and to ensure that all employees with access to the systems have a properly completed RACF ID request form on file.

The department has decided to continue the practice of allowing other agencies to have systems access. The department feels that preventing other agencies access to data/information would create undue hardships on the agencies' ability to conduct business. The department will develop procedures to ensure that outside agencies are collecting the appropriate security access forms. These procedures will include random sampling of individuals from such agencies to ensure that such access is on file. These random samplings will be dated, documented and kept on file by the Safety RACF Administrator.

We have entered into agreements (Memorandum of Understanding) with other agencies to provide them with information necessary to carry out their lawful purposes, and we define such lawful purposes in the MOU. The department will ensure that each outside agency with ability to grant access to the system signs a new agreement each July. It is the responsibility of each agency to maintain access security as defined in the MOU, and the various security officers and IS Directors of the outside agencies should be familiar with their responsibilities under the MOU. Should any agency be found noncompliant with the MOU, the penalties defined in the MOU will be invoked.

Finding

7. The risks associated with inadequate controls and lack of accountability over equipment have not been adequately addressed

Recommendation

The Commissioner should ensure that annual inventories are performed timely and the inventory process includes all items. The Commissioner should ensure that timely updates are made to POST to reflect status changes of items. The Director of Internal Audit should ensure that items are reported to the Comptroller of the Treasury timely. The Commissioner should establish and enforce policies that ensure that equipment is adequately safeguarded and employees are held accountable for lost or stolen equipment. The Commissioner should determine why staff did not take the actions stated in prior years' management's comments and take appropriate action.

The Commissioner should ensure that all guidelines and procedures outlined in the POST manual for safeguarding and accounting for equipment are followed. Management should ensure that risks such as these noted in this finding are adequately identified and assessed in their documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls over equipment to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

Actions Taken

The inventory was started 2 months early. Internal Audit sent a list of total inventory items to each section head showing the equipment assigned and requesting verification of the inventory records. If equipment is not located, the proper form, affidavit, etc. is required to be filed with the Director of Support Services. As the inventories are being received, the POST system is being updated to reflect appropriate changes. Internal Audit will report lost or stolen items immediately upon verification of such loss. Internal Audit will notify each section if they are not reporting lost or stolen items in a timely manner, and if necessary, report any unresolved discrepancies to the Commissioner. Our existing General Order establishes policy on equipment accountability and we feel this policy is adequate as written. Employees will be held accountable for lost or stolen equipment. As stated in the general order, employees violating the provisions of this order are subject to disciplinary actions up to and including termination.

Each section head is being required to account for their respective inventories and sign a statement stating they have completed the task. The property officers when receiving property are making sure all necessary items are state tagged and placed into the POST system properly. All Support Services Staff have been briefed on the procedures for the change of location of items as well as all Administrative Staff in all Districts to insure equipment is tracked as it is moved from place to place. Section Heads are reviewing their inventory and are reconciling any discrepancies with the proper paperwork to show either a change of location or an affidavit of lost or stolen property. This documentation is being entered into the POST system to reconcile the discrepancies.

The Director of Support Services is responsible for the design and implementation of internal controls over equipment. Staff has been identified in Support Services to make random checks on equipment and report exceptions to the director. Each section head is responsible for monitoring ongoing compliance with all requirements and for taking prompt action if exceptions occur.

Finding

- 8. Top management's lack of attention to Title IX compliance requirements raises concerns that inadequate consideration is given to preventing discrimination on the basis of gender**

Recommendation

Management should ensure that risks such as these noted in this finding are adequately identified and assessed in their documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls over compliance requirements to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

The Commissioner of the Department of Safety should ensure the Title IX plan coordinator is aware of all pertinent requirements of the plan and that the department submits appropriate Title IX compliance reports and implementation plans each year.

Actions Taken

Management has identified, assessed and documented their risk assessment activities. The department has assigned Sgt. Leonard Moudy the responsibility of ensuring that the Department of Safety's DARE unit is in compliance with the requirements of Title IX of the Education Amendments of 1972. It will be his responsibility to design and implement internal controls over compliance requirements to prevent and detect exceptions timely and to prepare the necessary compliance reports in accordance with state law to ensure that no one receiving benefits under a federally funded education program and activity is discriminated against on the basis of gender. He has been instructed to take the necessary steps to ensure that the department is compliant with all the pertinent requirements of the plan and that all provisions of T.C.A. 4-4-123 are fully complied with. The Lieutenant Colonel or his designee will be responsible for monitoring the ongoing program to ensure departmental compliance and to ensure that reports are promptly filed.